



[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9857]

RIN 1545-BL11

Recognition and Deferral of Section 987 Gain or Loss; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains corrections to final regulations (TD 9857) that were published in the **Federal Register** on Monday, May 13, 2019. The final regulations are relating to combinations and separations of qualified business units (QBUs) subject to section 987 and the recognition and deferral of foreign currency gain or loss with respect to a QBU subject to section 987 in connection with certain QBU terminations and certain other transactions involving partnerships.

DATES: This correction is effective on **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Steven D. Jensen at (202) 317-6938 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9857) that are the subject of this correction are issued under section 987 of the Internal Revenue Code.

Need for Correction

As published May 13, 2019 (84 FR 20790) the final regulations (TD 9857) contain errors that need to be corrected.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.987-0 is amended by revising the entries of the table of contents for §1.987-12(b) and (j) to read as follows:

§1.987-0 Table of contents.

* * * * *

§1.987-12 Deferral of section 987 gain or loss.

* * * * *

(b) Gain and loss recognition in connection with a deferral event.

* * * * *

(j) Applicability date.

* * * * *

Par. 3. Section 1.987-2 is amended by revising the fifth sentence of paragraph (c)(9)(iii) and revising paragraph (e)(1) to read as follows:

§1.987-2 Attribution of items to eligible QBUs; definition of a transfer and related rules.

* * * * *

(c) * * *

(9) * * *

(iii) * * * A separation may also result when a section 987 QBU that is subject to a grouping election under §1.987-1(b)(2)(ii) changes its functional currency. * * *

* * * * *

(e) * * *

(1) In general. Except as set forth in paragraph (e)(2) of this section, this section is applicable as specified in §1.987-11.

* * * * *

Par. 4. Section 1.987-4 is amended by revising the third sentence of paragraph (f)(2) to read as follows:

§1.987-4 Determination of net unrecognized section 987 gain or loss of a section 987 QBU.

* * * * *

(f) * * *

(2) * * * For purposes of determining the owner functional currency net value of the separated QBUs on the last day of the taxable year preceding the taxable year of separation under paragraphs (d)(1)(B) and (e) of this section, the balance sheets of the separated QBUs on that day will be deemed to reflect the assets and liabilities reflected on the balance sheet of the separating QBU on that day, apportioned between the separated QBUs in a reasonable manner that takes into account the assets and liabilities reflected on the balance sheets of the separated QBUs immediately after the separation. * * *

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